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**DeNUCCI QUESTIONS MILLIONS OF DOLLARS
IN DEPT. OF EDUCATION CONSULTANT EXPENSES**

State Auditor Joe DeNucci today urged the state Department of Education (DOE) to continue efforts to correct problems identified in an audit that found millions of dollars wasted on information technology consultants and questionable expenditures on items such as conferences, travel expenses, food and parties.

DeNucci said DOE used several consulting companies to hire information technology employees and process expenses for the department. These consultants were allowed to operate without proper controls, and their companies were paid a total markup of up to \$3.6 million for consulting services, a sum that DOE could have saved had it hired these individuals directly.

DeNucci said that during fiscal years 1999 and 2000, DOE paid eight consulting companies a total of \$14.3 million in salaries for 126 consultants. The highest paid consultant was billed by his company at a cost of \$409,049 for the two years. In addition, DeNucci said poor controls over non-salary expenses resulted in more than \$3 million in undocumented or inadequately documented expenses and hundreds of thousands of dollars in questionable expenditures that did not appear to directly benefit DOE's operations.

Major findings in the audit include:

- DOE funneled many of its non-salary expenses through two consulting firms. These firms then sent a bill to DOE for the amount of these expenses, plus a markup of as much as 10 percent for processing these payments. These included travel and other expenses for DOE's commissioner and other full-time employees.
- DOE circumvented state finance laws by prepaying \$143,530 for a consultant before services were rendered.
- One consultant approved \$615,505 in expenses payable to the company that employed him.

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- DOE had no personnel information on 60 percent of the consultants, no resume on file for 80 percent of the consultants, and no documented duties or responsibilities for them.
- DOE violated state law by allowing consultants to supervise state employees, used consultants to fill positions normally filled by state employees, and provided some with fringe benefits and paid leave.
- The owner of one of the consulting firms, acting as a full-time DOE consultant, participated in the procurement of \$2.6 million in expenses that were passed through his own company, for which his firm earned a markup of \$243,994.
- Although consultants should only be paid for documented services that they provide, 10 consultants were paid for working Thanksgiving Day, Christmas Day, New Year's Day, Memorial Day and Independence Day, all dates when state offices were closed for holidays. There were no time sheets to document that these individuals actually worked those days.
- Thousands of dollars in information technology expenses appeared to be unnecessary or questionable, including more than \$194,000 for training and conferences for consultants who were purportedly hired for their expertise and should already have been adequately trained to provide these services.
- Other questionable expenses included \$48,381 paid to two consulting firms for food for consulting staff, \$309,575 for such communications costs as cell phones, pagers and telephone lines in consultants' homes. Various amounts were also paid for flowers, Christmas parties, fees and finance charges on consultants' credit cards, and repairs to the windshield of a consultant's car.

DeNucci called on the department to cease using consultant companies as fiscal intermediaries to procure the services of consultants and process the payment of expenses.

According to DeNucci, the Department of Education indicated that a number of corrective actions were undertaken during the audit process. "I appreciate the department's cooperation and response to my audit and I urge its continued efforts to make its operations more accountable," DeNucci concluded.

The full text of the report is available on-line at:

<http://www.state.ma.us/sao/2000-4072-3.doc>

